



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Fred Phillips Second Quarter 2006



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August 1, 2007

Members of the Registry of Election Finance
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Ladies and Gentlemen:

Transmitted herewith are the agreed upon procedures for the un-itemized contribution audit of Fred Phillips' 2006 Second Quarter Campaign Financial Disclosure Statement for his 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of Section 2-10, *Tennessee Code Annotated*, the Comprehensive Governmental Ethics Reform Act of 2006.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Manager

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights

Fred Phillips

2006 Second Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Fred Phillips' compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limits laws and regulations, accuracy and completeness of the un-itemized contribution disclosures on his 2006 Second Quarter Campaign Financial Disclosure Statement, and to recommend appropriate actions to correct any deficiencies.

FINDING

The audit report contains no findings.

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INTRODUCTION

AUDIT AUTHORITY

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§ 2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. § 2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate’s contributions reported as un-itemized contributions and the un-itemized contributions were greater than \$5,000.

AUDIT PURPOSE

The Registry’s contribution audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and State of Tennessee in promoting governmental accountability and integrity.

AUDIT SCOPE

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. In addition, the audit relates to only disclosure reports that meet the requirements listed in T.C.A. § 2-10-212(i). Therefore, the audit reviewed only Fred Phillips’ disclosures on his 2006 second quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Fred Phillips was a candidate in the November 7, 2006 general election for the House of Representatives for district 7. Mr. Phillips filed an Appointment of Political Treasurer Statement with the Registry on April 1, 2006 appointing James J. Powell, Sr. as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 second quarter report filed on July 10, 2006. As of June 30, 2007, the candidate's most current financial disclosure report was the 2006 fourth quarter report, which he filed on January 25, 2007. The 2006 fourth quarter report indicated \$1,563.71 in cash on hand, \$0.00 in outstanding obligations, and \$0.00 in outstanding loans. The candidate has not completed his 2006 election campaign reporting requirements. The candidate's next report will be due on July 16, 2007 and will cover the period of January 16, 2007 to June 30, 2007.

OVERVIEW OF FINANCIAL ACTIVITIES

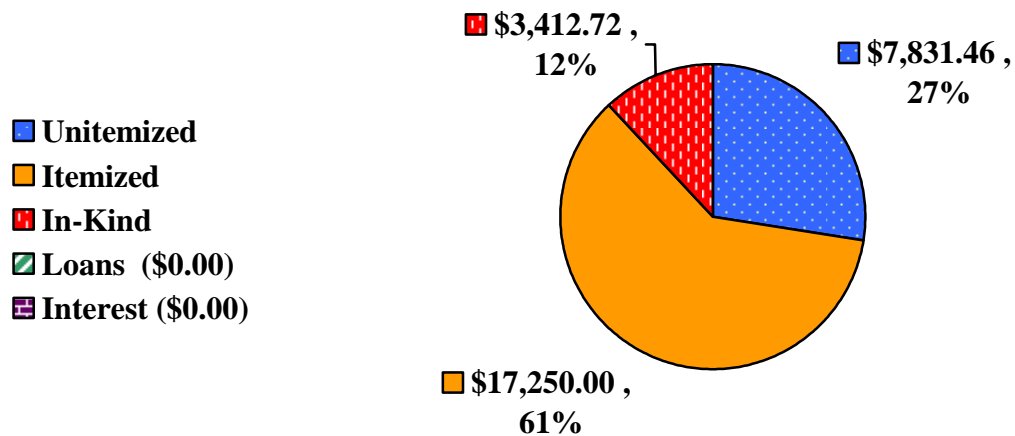
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments. As noted in the audit scope, we only audited the un-itemized contributions from disclosures for the 2006 second quarter. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at April 1, 2006		\$0.00
Receipts		
Itemized	\$121,975.00	
Un-itemized	14,032.46	
Interest	21.51	
Loans receipted	0.00	
Total receipts		<u>\$136,028.97</u>
Disbursements		
Itemized	\$132,160.05	
Un-itemized	2,305.21	
Loans principal payments	0.00	
Total disbursements		<u>\$134,465.26</u>
Cash on hand at January 15, 2007		<u>\$1,563.71</u>
Loans outstanding at January 15, 2007		\$0.00
Obligations at January 15, 2007		\$0.00
Total in-kind contributions received		\$8,125.20

CHARTS

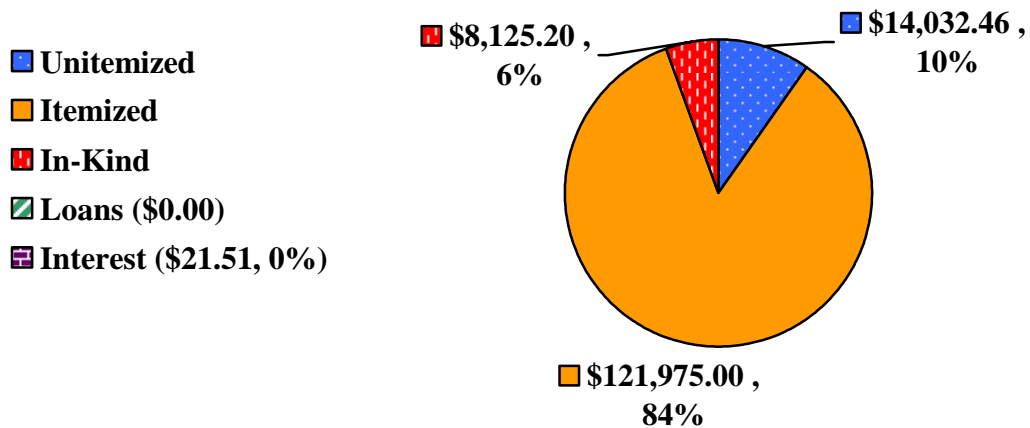
2006 SECOND QUARTER CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2006 second quarter report.



2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of our audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A §§ 2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

Audit Methodology:

The Registry obtained Fred Phillips' 2006 Second Quarter Campaign Financial Disclosure Statement amended on July 18, 2006 to verify that the un-itemized contributions were greater than \$5,000 and 30% of the total contributions reported. We requested Mr. Phillips to provide supporting documentation for un-itemized contributions of \$7,831.46 that he reported on his 2006 second quarter report. Mr. Phillips' provided auditors with campaign records for the second quarter, which included his bank statements, deposit slips, and contributor lists. The following steps were performed on Mr. Phillips' campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized contributions received from April 1, 2006 thru June 30, 2006 totaled \$7,831.46.
- A list of un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. § 2-10-301, et seq.
- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper

period, all contributions were reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107, and all contributions were reported in compliance with the Registry's rules.

Audit Conclusion:

Fred Phillips' 2006 Second Quarter Campaign Financial Disclosure Statement amended on July 18, 2006 reported un-itemized contributions greater than \$5,000 and 30% of the total contributions and thus subject to audit. Based on the listing of un-itemized contributions we prepared using the candidate's campaign records, it appears that the candidate received and deposited the un-itemized contributions that he reported for the 2006 second quarter into his campaign account. In addition, the candidate's reported un-itemized contributions appear to comply with campaign finance laws and Registry's rules.

RESOLUTIONS

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2006 contribution audit of Fred Phillips during the August 8, 2007 regular monthly meeting. The report contained no findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.